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BEFORE THE ARIZONA CORPORATION COMMISSION
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AZ CORP COMMISSION
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IN THE MATTER OF THE REVIEW AND
POSSIBLE REVISION OF ARIZONA
UNIVERSAL SERVICE FUND RULES,
ARTICLE 12 OF THE ARIZONA
ADMINISTRATIVE CODE

DOCKET NO. RT-00000H-97-0137

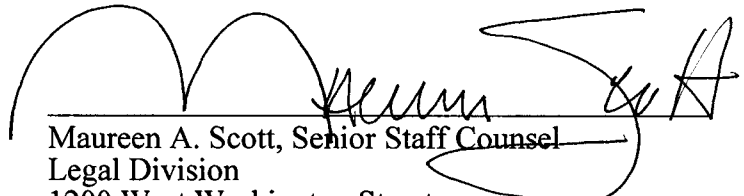
IN THE MATTER OF THE INVESTIGATION
OF THE COST OF TELECOMMUNICATIONS
ACCESS

DOCKET NO. T-00000D-00-0672

STAFF'S NOTICE OF FILING
TESTIMONY SUMMARY OF WILFRED
SHAND


Staff of the Arizona Corporation Commission ("Staff") hereby files the Testimony Summary
of Wilfred Shand of the Utilities Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 15th day of March, 2010.


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Arizona Corporation Commission
DOCKETED

MAR 15 2010

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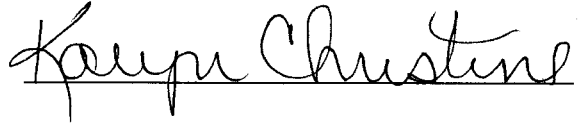
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SUMMARY

IN THE MATTER OF THE REVIEW AND POSSIBLE REVISION OF ARIZONA UNIVERSAL SERVICE FUND RULES, ARTICLE 12 OF THE ARIZONA ADMINISTRATIVE CODE DOCKET NO. RT-00000H-97-0137

IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS DOCKET NO. T-00000D-00-0672

This case is about the appropriate rates for intrastate switched access services. Intrastate switched access rates are the rates charged by providers of local exchange services to interexchange carriers to access their networks. Intrastate switched access rates make a significant contribution to a carrier's joint and common costs which has helped to keep local rates more affordable. Most parties agree that switched access charges need to be reformed to achieve the following benefits: 1) price efficiency; 2) reduction of arbitrage opportunities; 3) elimination of differences in rates that occur because of regulatory decisions; and 4) establishment of more consistent and rational intrastate switched access rates.

The Arizona Corporation Commission ("Commission") has jurisdiction only over intrastate service of the set of services provided by telecommunications companies and consequently is unable to establish consistent rates for all services in all cases. The Commission can only insure that the rates that it has the ability to set are consistent. The Federal Communications Commission ("FCC") has an open docket in which it intends to address intercarrier compensation on a comprehensive basis. The FCC's proceeding is intended in part to eliminate inconsistencies in the rates for essentially the same services involving multiple carriers' access and use of networks and facilities in originating and terminating calls. As has been pointed out by AT&T Communications of the Mountain States, Inc., there is a significant difference in the usage-based rates for interstate and intrastate switched access services.

Staff supports intrastate switched access charge reform in order to achieve the benefits discussed above. Staff believes that requiring Arizona Local Exchange Carrier Association ("ALECA") members' rates be set at Qwest intrastate rates is a reasonable step in the move toward consistency with interstate rates. Qwest Corporation's access rates have already been reduced by \$27 million a year and Staff is not recommending further reductions as a result of this docket at this time.

Staff believes that carriers that elect not to absorb the access charge reductions, should be required to file a rate case so that a benchmark rate can be established by the Commission. If a carrier's rates exceed that level, and the carrier is entitled to further support based upon the financial data submitted, only then would Staff recommend Arizona Universal Service Fund ("AUSF") support. Staff's alternative recommendation,

in the event the Commission wants to immediately proceed with switched access charge rate reductions would be to require any ALECA member not willing to absorb the reduction in access charges, to file an application for immediate temporary AUSF support on a revenue neutral basis which would be used to offset the access charge revenue reductions. The surcharge would remain in effect until the Commission addressed the Company's rates in a rate case. Staff recommends an R14-2-103 filing by each of the ALECA members electing to receive temporary AUSF support with the first filing made within twelve months of a Commission Decision in this matter.